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NEW IMPERIAL MINES LTD.

ANNUAL REPORT 1965

NEW IMPERIAL MINES LTD.

OFFICERS	ARNOLD PITT, *President* ROBERT W. MACAULAY, *Vice-President* GAYLORD CLINTON SNELL, *Vice-President* DAVID B. FINLAY, *Secretary* MICHAEL CLAY, *Treasurer*
DIRECTORS	TADEUSZ BUDZICH EARL B. GILLANDERS ERIC G. LAMBERT ROBERT W. MACAULAY ARNOLD PITT JAMES AUBREY SIMMONS GAYLORD CLINTON SNELL MALCOLM ALEXANDER STUART
BANKERS	TORONTO-DOMINION BANK, Bay and King Sts., Toronto, Ont. BANK OF MONTREAL, Whitehorse, Y.T. TORONTO-DOMINION BANK, Vancouver, B.C.
SOLICITORS	THOMSON, ROGERS, Toronto, Ont.
AUDITORS	MCDONALD, CURRIE & CO. Chartered Accountants, Toronto, Ont.
TRANSFER AGENT AND REGISTRAR	CANADA PERMANENT TRUST COMPANY Toronto, Ont.; Montreal, P.Q.; Vancouver, B.C.; Calgary, Alta.
COMPANY OFFICES	EXECUTIVE OFFICE: Suite 1022, 85 Richmond St. West, Toronto, Ontario VANCOUVER OFFICE: Marine Building, Vancouver, B.C. MINE OFFICE: Northern Metallic Building, Whitehorse, Yukon Territory
SHARES LISTED	Canadian Stock Exchange, Montreal, P.Q. Vancouver Stock Exchange, Vancouver, B.C. Calgary Stock Exchange, Calgary, Alta.

COVER PHOTO: *At the New Imperial Mines' mill site, test drilling is carried out for foundation placement.*

NEW IMPERIAL MINES LTD.

REPORT OF THE DIRECTORS

To the Shareholders:

Important progress has been made during the last year by your company towards bringing its copper-gold-silver property at Whitehorse, Yukon, into production.

In a feasibility report prepared by Wright Engineers Limited, consultants, the estimated cost of all mine facilities was set at $7,200,000. This amount includes approximately $840,000 for contingencies.

Under an agreement concluded by your directors with Sumitomo Metal Mining Company Limited of Japan on March 30, 1966, this corporation will provide approximately two thirds of the funds needed to complete the required mine and mill installations. This agreement is now before the Japanese Government for final approval.

Your management is currently negotiating with a Canadian bank, for a first mortgage loan of $2,750,000. Of this amount, $250,000 is in excess of funds required for the project as estimated in the feasibility report and may be called if needed. In addition, arrangements have been made by your management for a guaranteed stand-by fund of $500,000. Your directors believe that they have taken adequate measures to ensure the completion of the project.

The agreement with Sumitomo provides for a ten year contract for the sale of all concentrates produced from your company's Whitehorse property. Your directors expect that in excess of 20,000 tons of 35% copper concentrate will be shipped annually under the contract. Payment will be on the basis of export prices for copper as quoted by E. & M.J. (Engineering and Mining Journal) of New York.

The mine and mill sites are situated seven miles from the city of Whitehorse. Work progress to date is on schedule and within cost estimates provided in the feasibility report, with production target set for the first quarter of 1967.

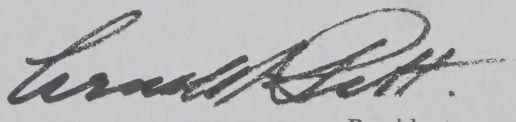
With the technical assistance of Sumitomo's engineers, adjustments were made in mill design allowing for an increase of treatment capacity from 2,000 tons to 2,500 tons per day. This improvement has been achieved at minor cost and without loss of efficiency and can have a marked effect on the profitability of the whole operation.

All important mine and mill equipment is now on order at fixed prices and some items have already arrived at the site. Detailed information as to mine and mill site development is contained in the mine manager's report which follows on another page.

Progress made to date has been greatly aided by the cooperation and assistance provided by the Sumitomo Metal Mining Company and its associated companies. Also acknowledged is the loyal and whole-hearted cooperation of the company's personnel.

The directors appreciate the support and confidence shown by our shareholders.

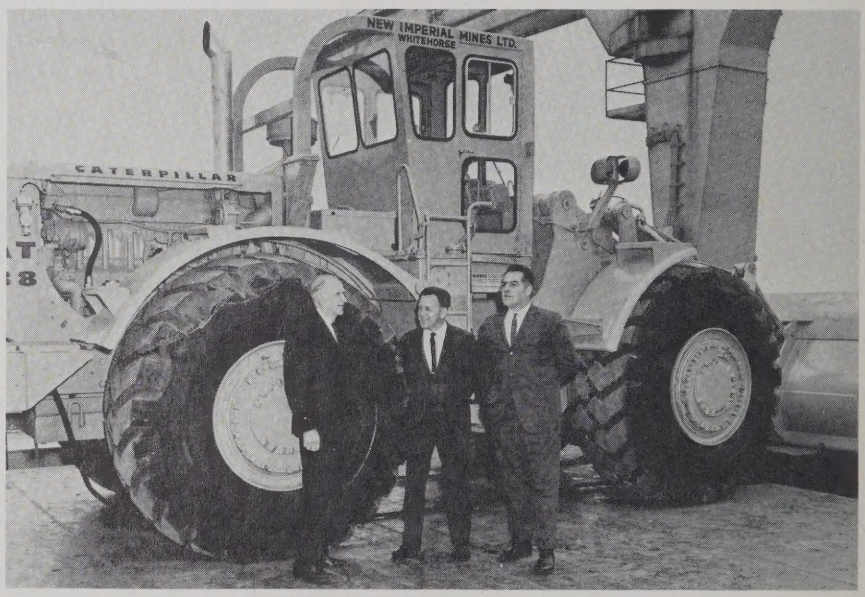
On behalf of the board,



President.

June 6th.,1966

PROGRESS PICTURED AT THE PROPERTY . . .



These scenes, depicting work and developments since year-end, show (above) a section of the access road which leads from the highway outside Whitehorse into the mill and mine site; the road is now completed. At right, one of the diesel loaders bound for the property; from left President Arnold Pitt, General Manager Ross Kenway, Vancouver Office Manager D. H. Maxey. Lower photo shows concentrator site clearing in progress.

NEW IMPERIAL MINES LTD.

REPORT OF THE MINE MANAGER

Mr. Arnold Pitt, President,
New Imperial Mines Ltd.,
Suite 1022, 85 Richmond Street West,
Toronto 1, Ontario.

Dear Sir:

This report summarizes operations at the company's Whitehorse property to May 31, 1966.

Work is continuing on a normal basis for this stage of development and the present work force is considered adequate until August of this year. To this date, the total number of employees at Whitehorse is twenty-two persons.

Mine Development

Latest development effort on the Little Chief deposit was to provide further information for the design of this open pit. At the same time, the work would supply further data on the reserve ore situation below the open pit bottom.

From February to April of this year a program of diamond drilling was carried out involving 3,731 feet of AX coring. Results have now been evaluated and indicate that only slight revisions are necessary in design of the Little Chief open pit.

Significantly, this work did disclose further reserves which are evaluated and are most encouraging.

No further work is now anticipated for the Little Chief pit design until overburden stripping is well enough advanced to warrant detailed surface mapping.

Plant and Facilities Construction

Preproduction work is moving forward on schedule covering various areas of the surface installations and the related facilities.

The two-mile access road from the Alaska Highway to the mill site is now completed, as is the road from the mill area to the crusher site. The road connecting the crusher site to the Little Chief deposit is 10% completed. The draining of Little Chief Lake is 70% completed and silt drainage of this lake has been started. The site preparations for the crude ore stockpile are 10% completed.

Pole lines have been erected for the power supply from the hydro-power station at Whitehorse and power is scheduled to be available on the property by June 15.

In excavations and clearing for the mill site, the following is the status as of May 31st: primary crusher area, 98% completed; fine ore bins and concentrator area proper, 50% completed; coarse ore stockpile location, completed.

Approximately 80% of the mechanical equipment is on order.

At the present time mining equipment costs are $100,000 under the budget allowed, while cost of mechanical equipment is running almost exactly on budget. Cost of construction supplies is expected to be close to budget. Cost of construction labour appears likely to be higher than budgeted. Despite higher labour costs, the overall preproduction expenses should run close to the original budget estimates.

The preproduction schedule calls for all installations to be closed in by November 1st of this year, and this target should be met without undue difficulty.

Exploration

A limited amount of exploration work is planned for this summer. It will include grid line cutting and survey on the ground between the North Star and Arctic Chief deposits, detailed mapping and magnetometer work on this area, and a drill survey to complete the aerial contours of the Arctic Chief deposit area. Off-property evaluations may also be carried out should these be necessary or indicated.

The bulk of the exploration work is necessary in order to prepare for a detailed exploration program in the summer of 1967. Two students will augment the present staff to assist in the exploration work starting in June.

R. W. KENWAY,
Mine Manager.

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BALANCE SHEET AS

ASSETS

Current Assets			
Cash		$ 304,578	
Prepaid expenses and deposits		1,300	$ 305,878
Fixed Assets *(note 3)*			
Land and buildings		30,495	
Equipment		81,306	
Mining properties *(note 2)*		21,206	
Mining properties under option to purchase *(note 1)* –			
Cash payments	$ 98,900		
Expended on properties	383	99,283	232,290
Deferred Expenditures *(note 3)*			
Preproduction and development expense	1,234,843		
General and administrative expense	305,203	1,540,046	
Incorporation and organization expense		4,375	1,544,421
			$2,082,589

Signed on behalf of the Board

ARNOLD PITT, Director

G. C. SNELL, Director

See accompanying notes to financial statements.

MINES LTD.

T MARCH 31, 1966

LIABILITIES

Current Liabilities		
Accounts payable and accrued liabilities		$ 115,075
Loan from a Shareholder *(note 4)*		450,000
Mortgages Payable by Monthly Instalments to 1993 with Interest at 6¾ % and 7¾ %	$15,966	
Less payments due within one year included in current liabilities	420	15,546

SHAREHOLDERS' EQUITY

Capital Stock		
Authorized – 7,500,000 shares of no par value *(notes 4, 5 and 6)*		
Issued and fully paid *(note 7)* – 5,468,899 shares	2,104,185	
Deficit	602,217	1,501,968
		$2,082,589

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of New Imperial Mines Ltd. as at March 31, 1966 and the statements of deficit, preproduction and development expense and general and administrative expense for the period from January 1, 1965 to March 31, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of deficit, preproduction and development expense and general and administrative expense, when read in conjunction with the notes thereto, present fairly the financial position of the company as at March 31, 1966 and the results of its operations for the period ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
May 23, 1966

McDONALD, CURRIE & CO.
Chartered Accountants

NEW IMPERIAL MINES LTD.

STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSE

For the period from January 1, 1965 to March 31, 1966

	Balance December 31 1964	Expenditure during period	Balance March 31 1966
Management salaries	$ 38,772	$ 10,454	$ 49,226
Travelling and subsistence	30,844	10,938	41,782
Salaries and wages	2,781	15,058	17,839
Postage, printing and stationery	8,121	2,310	10,431
Advertising	9,926	8,310	18,236
Rent	5,910	1,979	7,889
Telephone and telegraph	10,149	6,684	16,833
Registration and transfer fees	15,315	7,943	23,258
Underwriting expense	18,236	—	18,236
Professional fees	18,446	5,069	23,515
Bank charges	449	172	621
Unemployment insurance	233	152	385
Legal costs	23,573	33,421	56,994
Interest	911	3,123	4,034
General office expense	889	2,961	3,850
Automotive	1,413	210	1,623
Business taxes	200	98	298
Depreciation	160	—	160
Licence fees and registration	2,660	—	2,660
Secretarial fees	6,000	3,150	9,150
Shareholders' meeting expense	2,093	5,284	7,377
Miscellaneous	5,868	700	6,568
	202,949	118,016	320,965
Sundry recoveries	6,077	—	6,077
Interest earned	3,146	6,379	9,525
	9,223	6,379	15,602
	193,726	111,637	305,363
Transfer to deficit – Depreciation			160
BALANCE – MARCH 31, 1966			$305,203

STATEMENT OF DEFICIT

For the period from January 1, 1965 to March 31, 1966

BALANCE – DECEMBER 31, 1964			$579,925
Transfer of depreciation from:			
Preproduction and development expense	$21,380		
General and administrative expense	160	21,540	
Option payments on properties written off		752	22,292
BALANCE – MARCH 31, 1966			$602,217

NEW IMPERIAL MINES LTD.

STATEMENT OF PREPRODUCTION AND DEVELOPMENT EXPENSE

For the period from January 1, 1965
to March 31, 1966

	Balance December 31 1964	Expenditure during period	Balance March 31 1966
Salaries and wages	$ 84,302	$ 87,400	$171,702
Field pension expense	—	233	233
Subcontract field work	1,969	—	1,969
Engineering and geological reports	61,805	91,714	153,519
Assays	8,601	7,354	15,955
Travelling, transportation and subsistence	5,742	8,323	14,065
Explosives and field supplies	21,389	18,524	39,913
Surveys and maps	30,346	26,181	56,527
Cookhouse supplies	11,526	—	11,526
Room and board	1,553	—	1,553
Licences and permits	482	715	1,197
Workmen's compensation	2,198	884	3,082
Unemployment insurance	419	392	811
Equipment rental, repair and expense	25,947	28,335	54,282
Insurance	2,013	3,125	5,138
Storage	406	—	406
Freight and express	3,631	4,149	7,780
Field office expense	5,226	10,284	15,510
Field taxes	105	263	368
Recording fees	7,781	677	8,458
Diamond drilling	333,283	310,650	643,933
Road construction	5,479	—	5,479
Depreciation	21,380	—	21,380
Rotary drilling	6,432	—	6,432
Development contracts	6,066	—	6,066
Shaft construction	196	—	196
Building maintenance	214	9,100	9,314
Lease rentals	70	—	70
	648,561	608,303	1,256,864
Sundry recoveries	641	—	641
	647,920	608,303	1,256,223
Transfer to deficit – Depreciation			21,380
BALANCE – MARCH 31, 1966			$1,234,843

NOTES TO FINANCIAL STATEMENTS

For the period from January 1, 1965 to March 31, 1966

1. To maintain the options which the company holds on various mining properties in good standing the following payments are required to be made:

	$
1966	201,600
1967	49,000
1968	56,500
1969	44,000
1970	48,000
1971	40,000
	439,100

If the optionor's title to one mining claim has not been clearly established the above amount of $201,600 for 1966 will be reduced by $5,000.

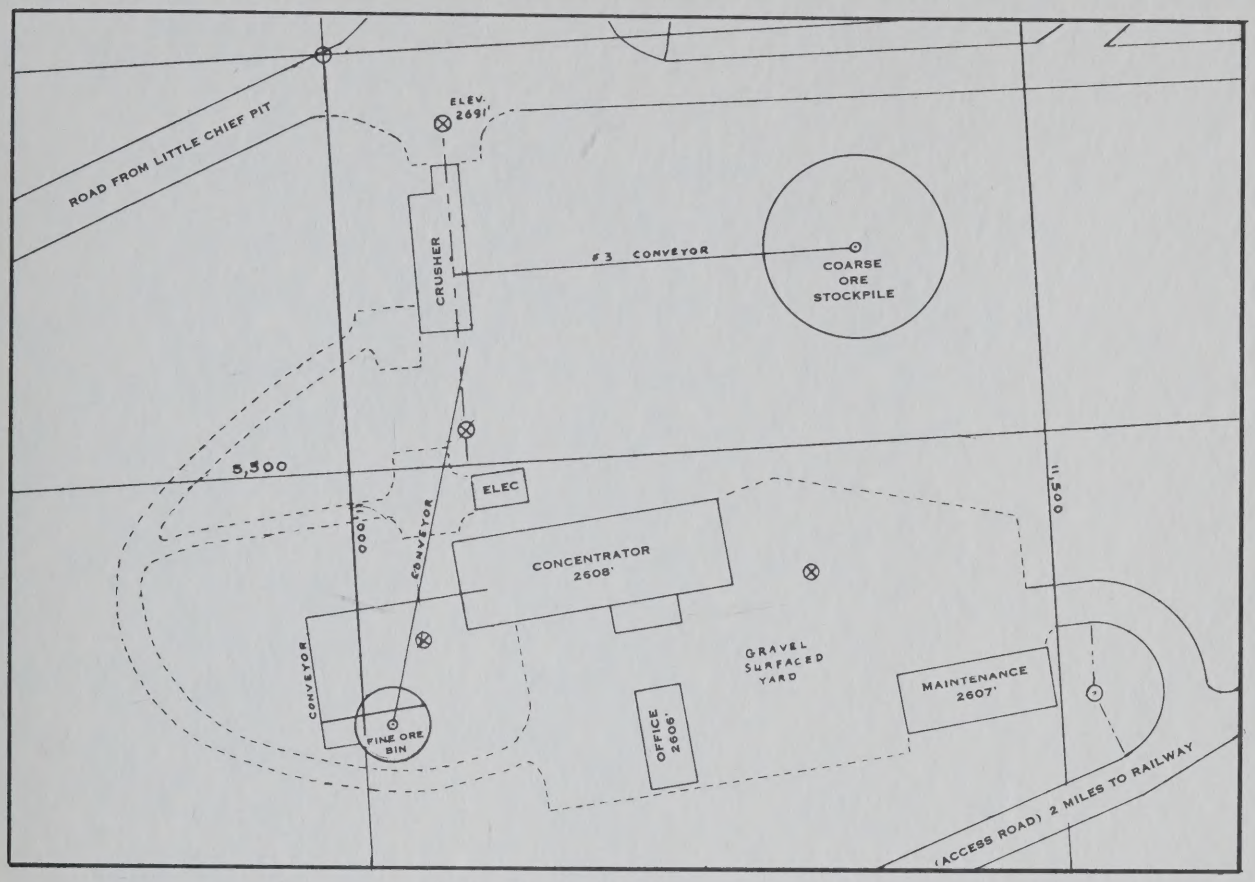
2. The cost of mining properties consists of the cost of eight mining claims for $17,000 cash and cash payments totalling $4,206 made to stake an additional 291 claims.
3. With the exception of equipment, the amounts shown for fixed assets and deferred expenditures represent costs to date. Equipment has been recorded on the basis of an appraisal made in November 1964 by an employee, Mr. A. Parker, professional engineer. As a result $18,866 was charged to preproduction and development and $160 to general and administrative expense as depreciation during 1964 which together with $2,514 depreciation previously charged was written off to deficit in 1965.
4. During 1965 the company entered into the following agreements with Sumitomo Metal Mining Co. Limited:
   (a) In February 1965 Sumitomo agreed to advance $175,000 to the company for the purpose of exploration. The company agreed not to enter into any agreements for sale of ore or concentrates, for financing further exploration and development costs or for sale of any interests in the company's property without the approval of Sumitomo during the currency of the agreement. By a concurrent agreement the company granted to Sumitomo an option to convert $90,750 of the $175,000 loan into 55,000 shares of the company at a price of $1.65 per share on or before March 31, 1966. This option has been exercised by Sumitomo. The parties have further agreed that the remaining $84,250 shall be converted into 64,808 shares at a price of $1.30 per share. The aforementioned 55,000 and 64,808 shares were issued by the company during March 1966.
   (b) In September 1965 Sumitomo agreed to advance $100,000 for the purpose of option payments, feasibility study and general corporate purposes. The company granted to Sumitomo an option to convert the $100,000 together with accrued interest thereon into shares of the capital stock of the company. This option expired on December 30, 1965 and the advance was repaid on March 30, 1966.
   (c) On March 15, 1966 Sumitomo agreed subject to the approval of the Government of Japan to loan to the company $4,700,000. The $4,700,000 together with interest is to be repaid within 5 years from the date of production and in any event not later than December 31, 1972. The loan agreement contains certain covenants which restrict the payment of dividends as well as restriction on borrowing, working capital and capital expenditures without the consent of Sumitomo. The loan agreement further provides for the conversion at the option of Sumitomo of $1,600,000 of the monies advanced by Sumitomo into shares of the capital stock of the company at a fixed price of $1.30 per share as follows:
   $300,000 on or before December 31, 1967
   $500,000 on or before December 31, 1968
   $800,000 on or before December 31, 1969
   (d) On March 30, 1966 Sumitomo loaned to the company $450,000 from which the aforementioned $100,000 (4(b)) was deducted. $130,000 will form part of the aforementioned $4,700,000 (4(c)) when approval of the Government of Japan is obtained. If approval is not obtained the $130,000 is to be repaid by September 27, 1966 either in cash or by the issuance of treasury shares at a price of $1.30 per share. The remaining $320,000 is to be repaid prior to September 27, 1966 either in cash or by the issuance of treasury shares at a price of $1.20 per share.
5. During 1964 and subsequently amended during 1965 an option was granted to the president of the company to purchase 150,000 shares of the company's capital stock at the following prices:

October 30, 1965 to October 30, 1966	$1.90 per share
October 30, 1966 to October 30, 1967	$2.15 per share

The president is required to remain an employee or officer of the company while exercising the options.
6. The authorized capital stock of the company was increased to 7,500,000 shares by a special resolution of the shareholders as confirmed by a certificate of the Registrar of Joint Stock Companies for the Province of Alberta dated December 13, 1965.
7. Since incorporation the following shares have been issued for the consideration as indicated:

For cash	4,638,503.5	$1,590,922
For services	352,826.0	34,987
For properties	477,569.5	478,276
	5,468,899.0	$2,104,185

8. Commitments –
   At March 31, 1966, commitments amounting to approximately $1,550,000 were outstanding in connection with capital expenditures.
9. Contingent liability –
   An action has been commenced against the company for alleged agency commission payable. No set sum is claimed and the company denies that the Plaintiff has any valid claim for any sums whatsoever from the company. This action is being defended by the company.



New Imperial Mines - surface plant layout

THE ANNUAL GENERAL MEETING

of Shareholders of

NEW IMPERIAL MINES LTD.

will be held on

THURSDAY, JUNE 30th, 1966

at 10:00 a.m., Toronto Time

at the

LORD SIMCOE HOTEL

Toronto, Canada

NEW IMPERIAL MINES LTD.

85 RICHMOND STREET WEST
TORONTO, CANADA

Annual Report 1965